

## FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI\*WEFA's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the April 2002 to the July 2002 *Idaho Economic Forecast*. The April 2002 Idaho forecast is based on DRI's March 2002 baseline forecast and the July 2002 Idaho forecast is driven by DRI\*WEFA's July 2002 baseline U.S. macroeconomic forecast.

The table following summarizes the differences for several key national and Idaho variables between the current and previous forecast. The current comparison deserves close scrutiny because the outlook for the U.S. economy has grown more complicated. Assuming all facets of the economy have improved because the outlook for real GDP has improved is erroneous. True, projected real GDP is stronger than had been forecasted previously. However, as the accompanying table shows, there has been virtually no improvement to real personal income compared to the previous forecast. One of the main reasons for this is employment is expected to perform worse than had been previously predicted. Specifically, U.S. nonfarm employment is lower by 0.6% in 2002, by 0.4% in 2003, by 0.5% in 2004, and by 0.4% in 2005. Higher productivity growth helps explain why real output is stronger while employment is weaker.

The outlook for Idaho's economy is lower than the previous forecast. This change partially reflects unique factors. The table on the facing page shows Idaho nonfarm employment generally grows weaker over time. It also shows the biggest year-to-year drop (0.8%) occurs in 2002. This reflects the first unique factor. Namely, the preliminary estimates by the Idaho Department of Labor for the first quarter of this year suggest the previous forecast was about 5,100 too high. Thus, the starting point for the employment forecast has been lowered, which explains most of the difference between the two forecasts. The noticeable decline in Idaho nominal personal income can be traced to the second unique factor. The U.S. Department of Commerce revised its estimates of Idaho personal income significantly this spring. For example, the estimate for the third quarter of 2001 was lowered by over one half billion dollars. As was the case with the employment data, this lowered the starting point for the Idaho income forecast. Another change that is worth mentioning, but is not found on the facing table, is historical Idaho population numbers for 1991 through 2000 have been increased to reflect revised estimates published by the U.S. Census Bureau.

**IDAHO ECONOMIC FORECAST**  
**FORECASTS COMPARISON**  
**DIFFERENCES BETWEEN**  
**JULY 2002 AND APRIL 2002 FORECASTS**

	1999	2000	2001	2002	2003	2004	2005
<b>GDP (BILLIONS)</b>							
Current \$	0	0	3	76	71	99	149
% Difference	0.0%	0.0%	0.0%	0.7%	0.6%	0.8%	1.2%
1996 Chain-Weighted	0	0	1	88	62	54	65
% Difference	0.0%	0.0%	0.0%	0.9%	0.6%	0.5%	0.6%
<b>PERSONAL INCOME - CURR \$</b>							
Idaho (Millions)	-34	68	-391	-609	-838	-892	-874
% Difference	-0.1%	0.2%	-1.2%	-1.8%	-2.3%	-2.3%	-2.2%
U.S. (Billions)	0	0	0	27	25	48	117
% Difference	0.0%	0.0%	0.0%	0.3%	0.3%	0.5%	1.1%
<b>PERSONAL INCOME - 1996 \$</b>							
Idaho (Millions)	-33	64	-359	-599	-864	-968	-1,011
% Difference	-0.1%	0.2%	-1.2%	-2.0%	-2.7%	-3.0%	-3.0%
U.S. (Billions)	0	0	-1	11	-12	-14	23
% Difference	0.0%	0.0%	0.0%	0.1%	-0.1%	-0.2%	0.3%
<b>TOTAL NONFARM EMPLOYMENT</b>							
Idaho	13	20	-1,150	-4,790	-6,049	-7,443	-6,613
% Difference	0.0%	0.0%	-0.2%	-0.8%	-1.0%	-1.3%	-1.1%
U.S. (Thousands)	4	-39	-301	-746	-580	-666	-586
% Difference	0.0%	0.0%	-0.2%	-0.6%	-0.4%	-0.5%	-0.4%
<b>GOODS PRODUCING SECTOR</b>							
Idaho	2	8	-908	-3,068	-4,085	-4,355	-4,543
% Difference	0.0%	0.0%	-0.8%	-2.8%	-3.7%	-3.8%	-3.9%
U.S. (Thousands)	1	-38	-181	-129	10	-121	-128
% Difference	0.0%	-0.1%	-0.7%	-0.5%	0.0%	-0.5%	-0.5%
<b>SERVICE PRODUCING SECTOR</b>							
Idaho	12	12	-243	-1,723	-1,963	-3,088	-2,070
% Difference	0.0%	0.0%	-0.1%	-0.4%	-0.4%	-0.6%	-0.4%
U.S. (Thousands)	2	0	-120	-617	-590	-545	-458
% Difference	0.0%	0.0%	-0.1%	-0.6%	-0.5%	-0.5%	-0.4%
<b>FINANCIAL MARKETS</b>							
Federal Funds Rate	0.0%	0.0%	0.0%	-0.2%	-1.0%	-0.3%	0.5%
Bank Prime Rate	0.0%	0.0%	0.0%	-0.2%	-1.0%	-0.3%	0.5%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	-0.2%	0.1%	0.4%	0.8%
<b>INFLATION</b>							
GDP Price Deflator	0.0	0.0	0.0	-0.2	0.1	0.4	0.7
Personal Cons Deflator	0.0	0.0	0.0	0.2	0.5	0.7	1.0
Consumer Price Index	0.0	0.0	0.0	-0.2	0.2	0.5	0.9

Forecast Begins the FIRST Quarter of 2002